

PUBLIC DISCLOSURE

December 30, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

HOOSAC BANK

CERT # 90253

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NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution’s record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution’s record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of Hoosac Bank (or the “Bank”), prepared by the Division and the FDIC, the institution’s supervisory agencies, as of December 30, 2011. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00. The FDIC rates the CRA performance institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC’s Rules and Regulations.

INSTITUTION’S CRA RATING: This institution is rated SATISFACTORY.

The Lending Test is rated Satisfactory.

The Community Development Test is rated Satisfactory.

An institution in this group has an adequate record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The evaluation was conducted using Intermediate Small Bank procedures. The assigned rating is based on the result of two performance tests: the Lending Test and the Community Development Test. The following summary of conclusions supports the assigned rating:

Lending Test

- The Bank’s average loan-to-deposit (“LTD”) ratio during the evaluation period was 82.0 percent. The Bank’s average LTD ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs.
- The Bank made a majority (51.4 percent) of its residential mortgages and small business loans inside the assessment area.
- The geographic distribution of residential loans reflects reasonable dispersion throughout the assessment area; however, the geographic distribution of small business loans reflects poor dispersion.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income), and businesses of different sizes.
- The Bank did not receive any CRA-related complaints during the evaluation period.

Community Development Test

- The Bank originated two loans totaling \$775,000 in qualified community development loans in its designated assessment area. The loans were responsive to the need for affordable housing in the area.
- Investments during the review period totaled \$169,126, and consisted solely of qualified donations.
- The Bank was involved in community development organizations within its designated assessment area. Officers and employees, as well as Directors, participated in community development activities that provided services primarily to low- and moderate-income individuals and families. The Bank also sponsored or participated in several financial education initiatives targeted toward first-time homebuyers and low- and moderate-income individuals and families throughout the assessment area.

SCOPE OF EXAMINATION

This evaluation was conducted jointly by the Division and the FDIC. Intermediate Small Bank (“ISB”) CRA evaluation procedures, as established by the Federal Financial Institutions Examination Council (FFIEC), were used to assess the Bank’s CRA performance, as the Bank had total assets greater than \$280 million, but less than \$1.122 billion, as of December 31st of each of the prior two calendar years. These procedures evaluate the bank based upon a Lending and Community Development Test. The Lending Test considers the institution’s performance pursuant to the following criteria: LTD ratio; assessment area concentration; geographic distribution of loans; lending to borrowers of different incomes and businesses of different sizes (borrower profile); and record of taking action in response to CRA complaints. The Community Development Test considers the number and dollar amount of community development loans, qualified investments, and community development services.

This evaluation focused on home mortgage and small business lending, as these reflect the primary loan products offered by the Bank. Home mortgage lending activity between January 1, 2009 and December 30, 2011, and small business lending activity in the first three quarters of 2011 were analyzed. Considering the Bank’s loan portfolio distribution and volume of lending by loan type during the evaluation period, slightly more weight is assigned to home mortgage performance when arriving at overall conclusions.

Consumer loans and small farm loans were not considered in the evaluation as consumer loans represent a nominal percentage (0.6 percent) of the loan portfolio, and the Bank does not maintain any small farm loans in its loan portfolio.

Information concerning home mortgage lending was derived from the Bank’s Loan Application Registers (“LARs”), reported pursuant to the Home Mortgage Disclosure Act (“HMDA”). The LARs contain data about home purchase and home improvement loans, including refinancing, of one-to-four-family and multi-family (five or more units) properties. While the tables depict 2009, 2010, and 2011 home mortgage data, the primary focus of this evaluation is lending performance in 2010, as this is the most recent year for which aggregate data is available. Aggregate lending data is used for comparison purposes within the evaluation, is a measure of loan demand, and includes lending information from institutions reporting at least one home mortgage in the Bank’s assessment area. Residential lending activity for 2009 and 2011 was also analyzed to identify any significant trends or anomalies. The borrower profile and geographic distribution criteria consider only those loans made within the Bank’s designated assessment area.

As the Bank is not required to report its small business loans due to its asset size, information concerning small business lending was derived from internal loan reports, and a statistical sample was used. Of the 122 small business loans made in the first three quarters of 2011, 29 were sampled. For purposes of this evaluation, small business loans include commercial real estate and commercial and industrial loans with balances of \$1 million or less. Comparisons to small business aggregate data are not included, as the aggregate lenders are generally much larger institutions required to report small business data. Instead, the Bank’s small business lending performance is compared to pertinent 2011 business demographic information.

Demographic information is from the 2000 U.S. Census unless otherwise noted. Financial data was derived from the September 30, 2011 FFIEC Report of Condition and Income (Call Reports).

The Community Development Test included qualified loans, donations, and services for the period of August 5, 2008 through December 30, 2011.

PERFORMANCE CONTEXT

Description of Institution

Hoosac Bank is a Massachusetts chartered stock savings bank. Incorporated in 1848 as North Adams Savings Bank, the Bank changed its name to Hoosac Bank in 1998. Hoosac Bank is a wholly owned subsidiary of MountainOne Financial Partners, Inc. (“MountainOne”) of North Adams, Massachusetts, which is a wholly-owned subsidiary of MountainOne Financial Partners, MHC. MountainOne is also the holding company for Williamstown Savings Bank, Williamstown, Massachusetts, and South Coastal Bank, Rockland, Massachusetts. The firms of Coakley, Pierpan, Dolan & Collins Insurance Agency, Inc., and True North Insurance Agency, Inc. are wholly-owned subsidiaries of Hoosac Bank. These companies offer insurance products and retirement services, respectively.

The Bank is headquartered at 93 Main Street in a moderate-income census tract in North Adams, Massachusetts. In addition, to the main office, the Bank operates one branch office in Williamstown and two loan production offices. The loan production offices are located in Adams (moderate-income) and Pittsfield (low-income).

As of September 30, 2011, the Bank had total assets of \$344.5 million. This represents a decrease of 9.2 percent since June 30, 2008. The Bank’s loan portfolio increased 27.8 percent over the same period, with net loans of \$198.9 million as of September 30, 2011. The loan portfolio accounts for 57.8 percent of the Bank’s assets. Refer to Table 1 for detailed information regarding the composition of the Bank’s loan portfolio.

Table 1 – Loan Portfolio Distribution as of September 30, 2011		
Loan Type	Dollar Amount \$(000s)	% of Total Loans
Construction, Land Development, and Other Land Loans	16,049	8.1
Revolving, Open-end Loans Secured by 1-4 Family Residential Properties and Extended Under Lines of Credit	8,497	4.3
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by First Liens	61,573	30.9
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by Junior Liens	3,678	1.8
Secured by Multi-Family (5 or more) Residential Properties	9,490	4.8
Total Residential Real Estate Loans	99,287	49.9
Secured by Nonfarm Nonresidential Properties	76,141	38.3
Total Real Estate Loans	175,428	88.2
Commercial and Industrial	22,564	11.3
Loan to Individuals for Household, Family, and Other Personal Expenditures (Consumer Loans)	1,247	0.6
Less: Unearned Income	(269)	(0.1)
Total Loans	198,970	100.0

Source: September 30, 2011 Call Report

As shown in Table 1, the Bank's portfolio is composed primarily of commercial and residential real estate secured loans. The largest percentage of the loan portfolio is represented by commercial real estate at 38.3 percent. Commercial and industrial loans account for 11.3 percent of the loan portfolio, which combined with commercial real estate loans, account for nearly 50 percent of the Bank's portfolio. At approximately \$98.7 million, the Bank's commercial loan portfolio has more than doubled since the prior CRA evaluation.

The significant increase in commercial lending since the previous CRA evaluation is attributed to several factors. First, the addition of South Costal Bank as an affiliate of Hoosac Bank (under MountainOne) created a shift in strategy as this bank had an active and experienced commercial lending business. Second, the Bank created a senior vice president of commercial lending position and added six additional commercial lenders. Third, the Bank purchased a large participation share of commercial loans from South Coastal Bank. Last, the Bank opened a loan office in Pittsfield, Massachusetts which has predominately been originating commercial loans. All of the above factors, in concert with a slowed residential real estate market during the evaluation period, resulted in an increase in the Bank's commercial loan portfolio.

Residential real estate loans, including open- and closed-end credit secured by one-to-four family and multi-family properties, at a combined \$99.3 million, account for 41.8 percent of the portfolio. Residential loan growth since the prior examination was minimal, at approximately 4.6 percent. Management attributed the minimal growth to difficult economic conditions and tightened credit standards. As commercial loan growth outpaced that of residential loans, the shift in loan portfolio is now weighted toward commercial real estate and commercial and industrial loans.

The Bank currently offers a variety of residential, consumer, and commercial credit products. These products include first mortgage loans on 1-4 family, multi-family, and non-owner occupied dwellings; commercial loans; educational loans; second mortgage loans; home equity loans; construction and rehabilitation loans; unsecured signature loans; secured and unsecured installment loans; and automobile loans. The Bank also offers numerous deposit services for consumers and businesses.

The Bank operates in a competitive environment, which includes several locally-based institutions such as Adams Cooperative Bank, Berkshire Bank, Greylock Federal Credit Union, and South Adams Savings Bank, as well as a number of large national banks, credit unions, and mortgage companies. In 2010, 51 lenders reported home mortgage loan originations in the Bank's assessment area. The 2010 market share reports indicate that Hoosac Bank ranked third of all reporting institutions in its assessment area, with an 11.5 percent market share. The top two lenders were Greylock Federal Credit Union and Williamstown Savings Bank, with market shares of 22.6 percent and 21.6 percent, respectively.

The FDIC and the Division last evaluated the Bank's CRA performance as of August 4, 2008 and assigned an overall rating of "Satisfactory." There are no financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area.

Description of Assessment Area

The CRA requires each financial institution to define an assessment area within which its CRA performance will be evaluated. The Bank's assessment area as currently defined meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions; (2) includes the geographies where the bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not extend substantially beyond state boundaries; (5) does not reflect illegal discrimination; and (6) does not arbitrarily exclude low-and moderate-income areas.

The Bank's assessment area includes the towns of Adams, Clarksburg, North Adams, and Williamstown. All of these towns are part of the Pittsfield, Massachusetts Metropolitan Statistical Area ("MSA"). Of the 11 census tracts that comprise the Bank's assessment area, 5 are moderate-income, 5 are middle-income, and 1 is upper-income. There are no low-income census tracts in the assessment area. The moderate-income census tracts are located in North Adams (3) and Adams (2).

To assess the Bank's lending performance within this evaluation, consideration is given to certain demographic data about the assessment area. Table 2 illustrates select demographic data.

Table 2 - Assessment Area Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	11		45.5	45.5	9.0
Population by Geography	33,600		42.3	43.7	14.0
Owner-Occupied Housing by Geography	8,312		39.3	51.9	8.8
Businesses by Geography	2,716		47.3	39.3	13.4
Family Distribution by Geography	8,345		42.5	49.2	8.3
Family Distribution by Income Level	8,345	22.8	22.3	21.9	33.0
Household Distribution by Geography	13,762		46.8	45.6	7.6
Household Distribution by Income Level	13,762	33.4	17.8	17.0	31.8
HUD-Adjusted Median Family Income 2010 - \$65,700			Median Housing Value - \$110,689 Unemployment Rate (2000)—6.4%		
HUD-Adjusted Median Family Income 2011 - \$68,900					
Families Below Poverty Level – 8.6%					

Source: 2000 U.S. Census Data, 2010 and 2011 HUD adjusted median family data for Pittsfield MSA, and 2011 Business Demographic Data

The assessment area has a total population of 33,600, and includes 13,762 households, of which 8,345 are families. A majority of assessment area households are low- or moderate-income. Of the families in the area, 22.8 percent are low-income and 22.3 percent are moderate-income; 8.6 percent have incomes below the poverty threshold, which is a sub-set of low-income. The percentage of low- and moderate-income families, including those below the poverty level exceed that of the Pittsfield MSA and statewide. Given this high percentage, a financial institution's ability to penetrate such markets with home mortgage loans is fairly restricted.

The assessment area consists of 15,191 total housing units, of which 8,312 (54.7 percent) are owner-occupied, 5,402 (35.6 percent) are occupied-rental units, and 1,477 (9.7 percent) are vacant. Of the 8,312 owner-occupied housing units, 39.3 percent are located in moderate-income census tracts

while the majority is located in middle-income census tracts. The median housing value in the assessment area in the year 2000 was \$110,689, and the median age of the housing stock was 55 years.

Recent figures from *Banker and Tradesman* show that the assessment area's median home prices in 2011 ranged from a low of \$76,500 in Clarksburg to a high of \$243,750 in Williamstown. As of 2011, the median home price within the Bank's assessment area was \$116,392. Considering that a low-income family in the assessment area earns less than \$34,450, and a moderate-income family has an income between \$34,450 and \$55,120 as of 2011, homeownership is generally difficult to attain for individuals or families at these income levels.

According to 2011 Business Geo-demographic Data, there are 2,716 businesses in the assessment area, of which 67.2 percent have gross annual revenues ("GAR") of \$1 million or less, 3.6 percent have GAR of greater than \$1 million, and the remaining 29.2 percent have unknown revenues. With respect to distribution by census tract income level, 47.3 percent of area businesses are located in moderate-income census tracts, followed by 39.3 percent in middle-income census tracts, and 13.3 percent in upper-income geographies. The largest percentage of businesses is within the services industry (44.3 percent). Businesses involved in non-classified establishments (17.7 percent), retail trade (12.5 percent), construction (6.7 percent) and finance, insurance, and real estate (6.6 percent) make up a significant share of the establishments. A majority of businesses have a small employee base, as 61.8 percent employ four or fewer individuals.

The unemployment rate for the Commonwealth of Massachusetts was 6.8 percent, according to December 2011 data from the Bureau of Labor Statistics. This represents a decreasing trend from 2009 and 2010, as unemployment rates were 9.3 percent and 8.3 percent, respectively. The unemployment rate for the Pittsfield MSA, as of December 2011, was 6.9 percent. As of December 2011, the unemployment statistics for the assessment area ranged from a low of 5.0 percent in Williamstown, to a high of 8.8 percent in Adams per the Massachusetts Executive Office of Labor and Workforce Development.

A community contact was conducted with an organization whose mission is to improve the quality of life for people living in Northern Berkshire County by organizing, supporting, and empowering the community. The contact indicated that the primary needs of the area are affordable housing, transportation, and the constant need of healthy and accessible food. The contact stated that the majority of local financial institutions are involved in the community and are supportive, but felt that the overall state of the economy has hampered financial institution participation in recent years, particularly in the area of downpayment assistance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Loan-to-Deposit (LTD) Ratio

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans. The Bank's LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.

The Bank's average quarterly net LTD ratio was 82.0 over the 13 quarters from September 30, 2008 through September 30, 2011. During the review period, the Bank's LTD ranged from a low of 76.0 percent as of September 2008 to a high of 88.5 percent in December 2009. Furthermore, the generally increasing trend of the Bank's quarterly LTD ratio is attributed to loan growth (27.8 percent) outpacing deposit growth (11.9 percent) over the 13 quarters reviewed. Total deposits experienced fluctuations quarter over quarter from a decrease of 8.2 percent for the quarter-end September 2009, to an increase of 7.3 percent for the quarter-end March 2010.

The Bank's average net LTD ratio was compared to those of similarly-situated financial institutions, based on lending focus, geographic location, and asset size. As Table 3 illustrates, the LTD ratios of the other institutions ranged between 71.4 percent and 128.7 percent. Hoosac Bank is situated within this range at 82.0 percent. Given the Bank's size and financial condition, the LTD ratio is reasonable.

Table 3- Average Net Loan-to-Deposit Ratios		
Institution Name	Average Net LTD Ratio (%)	Asset Size \$(000s)
<i>Hoosac Bank</i>	82.0	\$344,453
Lee Bank	128.7	\$266,269
Greenfield Co-operative Bank	71.4	\$304,733
The Pittsfield Co-operative Bank	81.6	\$227,695

Source: Call Reports

Assessment Area Concentration

This performance criterion determines what percentage of the Bank's lending was inside and outside the assessment area. As Table 4 illustrates, the Bank originated a majority of its home mortgages, but less than a majority of the sampled small business loans, within its designated assessment area.

Table 4 - Distribution of Loans Inside and Outside of Assessment Area

Loan Category or Type	Number of Loans					Dollar Volume \$(000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2009 Home Mortgages										
Home Purchase	15	71.4	6	28.6	21	1,026	68.3	477	31.7	1,503
Refinance	10	50.0	10	50.0	20	774	51.7	723	48.3	1,497
Home Improvement	31	35.2	57	64.8	88	861	54.8	709	45.2	1,570
Total	56	43.4	73	56.6	129	2,661	58.2	1,909	41.8	4,570
2010 Home Mortgages										
Home Purchase	15	53.6	13	46.4	28	1,782	53.1	1,576	46.9	3,358
Refinance	46	63.0	27	37.0	73	4,816	55.9	3,802	44.1	8,618
Home Improvement	32	60.4	21	39.6	53	1,361	53.5	1,184	46.5	2,545
Total	93	60.4	61	39.6	154	7,959	54.8	6,562	45.2	14,521
2011 Home Mortgages										
Home Purchase	20	52.6	18	47.4	38	3,538	52.2	3,236	47.8	6,774
Refinance	36	50.0	36	50.0	72	5,872	51.1	5,608	48.9	11,480
Home Improvement	26	57.8	19	42.2	45	2,433	38.6	3,877	61.4	6,310
Total	82	52.9	73	47.1	155	11,843	48.2	12,721	51.8	24,564
Total Home Mortgages	231	52.7	207	47.3	438	22,463	51.5	21,192	48.5	43,655
Small Business 2011	9	31.0	20	69.0	29	1,943	31.9	4,152	68.1	6,095
Grand Total	240	51.4	227	48.6	467	24,406	49.1	25,344	50.9	49,750

Source: HMDA LARs for 2009, 2010 and 2011; and Small Business Sample for 2011

Home Mortgage Lending

In 2009, the Bank originated 43.4 percent of home mortgage loans inside the assessment area by number and 58.2 percent by dollar. Management explained that since the Bank did not have a secondary market outlet for long term fixed-rate loan products, the Bank was unable to offer low-interest rate products. This resulted in lower loan demand overall, which also reduced lending inside the Bank's assessment area. It is also important to note that over two-thirds of the Bank's home mortgage volume was in the category of home improvement. Given the Bank's participation in the MassSave HEAT loan program, a zero percent loan that enables homeowners to make energy efficient home improvements, demand was not limited to the Bank's assessment area. As 64.8 percent of the 88 home improvement loans originated by the Bank in 2009 were outside the assessment area, this category of loans significantly impacted performance that year.

Reflecting an increasing trend in 2010, the Bank made 60.4 percent of its home mortgages by number and 54.8 percent by dollar inside the assessment area. In 2011, the Bank originated 52.9 percent of home mortgage loans by number inside the assessment area, but only 48.2 percent by dollar volume. In total during the evaluation period, 52.7 percent of home mortgage loans were originated by the Bank inside its assessment areas by number and 51.5 percent by dollar volume.

Small Business Lending

Based on the small business loan sample, a majority of the Bank's small business loans were made outside the assessment area. Specifically, the Bank originated 31.0 percent of small business loans inside the assessment area by number and 31.9 percent by dollar volume.

The high percentage of small business loans outside the assessment area is attributed to the opening of a loan production office focusing on commercial lending in Pittsfield, which is not part of the assessment area. Many of the loans sampled were located in this city and in the surrounding towns.

Geographic Distribution

The geographic distribution of loans was reviewed to assess the Bank's performance in addressing credit needs throughout its assessment area. The focus of this analysis was to assess the Bank's loan dispersion in its assessment area, with emphasis on lending in the area's moderate-income census tracts. As indicated previously, the area does not include any low-income census tracts. The geographic distribution of the Bank's home mortgage loans reflects reasonable dispersion throughout the assessment area; however, the geographic distribution of small business loans reflects poor dispersion. The following sections provide additional detail regarding the Bank's performance under this criterion by loan type.

Home Mortgage Lending

Table 5 illustrates the Bank's home mortgage lending activity in 2009, 2010, and 2011 by geography, as compared to assessment area demographics and 2010 aggregate lending performance.

Table 5 - Distribution of HMDA Loans by Census Tract Income Level								
Census Tract Income Level	% of Total Owner-Occupied Housing Units	2010 Aggregate Lending Percentage	2009 Bank Lending Data		2010 Bank Lending Data		2011 Bank Lending Data	
			#	%	#	%	#	%
Moderate	39.3	34.1	24	42.8	35	37.6	36	43.9
Middle	51.9	53.1	31	55.4	53	57.0	44	53.7
Upper	8.8	12.8	1	1.8	5	5.4	2	2.4
Total	100.0	100.0	56	100.0	93	100.0	82	100.0

Source: HMDA LARs for 2009, 2010 and 2011; aggregate data for 2010; and the 2000 U.S. Census.

In 2009, the Bank originated 42.8 percent of its residential loans in moderate-income census tracts, which exceeds the aggregate performance of 35.2 percent (not depicted in Table 5). In 2010, the Bank originated 37.6 percent of its home mortgage loans in moderate-income tracts, which is 3.5 percent higher than the aggregate, but slightly lower than the percentage of owner-occupied housing units. Demonstrating an increasing trend in terms of the overall percentage of home mortgage lending activity in moderate-income census tracts in 2011, the Bank's level of lending in this income level of geography stood at 43.9 percent.

Supporting the Bank's reasonable performance under this criterion, it is noted that Hoosac Bank ranked third in lending in moderate-income census tracts in 2010. The top two lenders were Greylock Federal Credit Union and Adams Cooperative Bank with 77 and 46 loans, respectively.

Small Business Lending

The geographic distribution of small business loans reflects poor dispersion throughout the assessment area. Table 6 illustrates the distribution of small business loans by census tract income level.

Table 6 - Distribution of Small Business Loans by Census Tract Income Level		
Census Tract Income Level	Percent of Bank Loans	Percent of Businesses
Moderate	22.2	47.3
Middle	66.7	39.3
Upper	11.1	13.4
Total	100.0	100.0

Source: Sample of 2011 Small Business Loans and 2011 Business Geodemographic Data

Based on the sample, the Bank originated two small business loans (22.2 percent) in moderate-income tracts; whereas, demographic data show that 47.3 percent of businesses are located in moderate-income tracts in the Bank's assessment area.

As illustrated in Table 4, the Bank originated a majority of the sampled small business loans outside the assessment area. Given the relatively small number of loans subject to analysis under this criterion, each loan carries significant weight (approximately 11.1 percent) on overall percentages.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

Home Mortgage Lending

Home mortgage lending data was reviewed to assess how well the Bank is addressing the credit needs of assessment area residents. Emphasis was placed on the Bank's record of lending to low- and moderate-income borrowers. Table 7 illustrates the distribution of the Bank's home mortgages by borrower income level as compared to demographic and aggregate lending data.

Table 7- Distribution of HMDA Loans by Borrower Income								
Borrower Income Level	Family Distribution by Income Level	2010 Aggregate Lending Percentage	2009 Bank Lending Data		2010 Bank Lending Data		2011 Bank Lending Data	
			#	%	#	%	#	%
Low	22.8	9.3	12	22.2	11	13.3	7	9.6
Moderate	22.3	22.4	15	27.8	17	20.5	21	28.8
Middle	21.9	22.1	14	25.9	25	30.1	13	17.8
Upper	33.0	46.2	13	24.1	30	36.1	32	43.8
Total	100.0	100.0	54	100.0	83	100.0	73	100.0

**Excludes loans to borrowers of unknown income/income not reported.*

Source: HMDA LARs for 2009, 2010 and 2011; 2010 aggregate data; and 2000 U.S. Census.

In 2009, the Bank originated 22.2 percent of its home mortgages to low-income borrowers, and 27.8 percent to moderate-income borrowers. The performance of lending to both income levels far exceeded aggregate lending data at 9.8 percent and 23.3 percent for low- and moderate-income borrowers, respectively (2009 aggregate data not depicted in Table 7).

In 2010, the Bank originated 13.3 percent of its home mortgage loans to low-income borrowers, which exceeded aggregate, but was less than the percentage of low-income families in the assessment area. For moderate-income borrowers, the Bank's lending was in line with aggregate, and slightly below demographic data. Demonstrating a fairly consistent pattern of home mortgage lending in 2011, the Bank made 9.6 percent of its home mortgages to low-income borrowers and increased lending to moderate-income borrowers to 28.8 percent. Aggregate data was not available for 2011.

The review of market share reports for 2010 further supported the Bank's reasonable performance under this criterion. In 2010, the Bank ranked third in lending to low-income borrowers in the assessment area, with 11 loans. The top two lenders in the assessment area were Greylock Federal Credit Union with 19 loans and South Adams Savings Bank with 12 loans. Hoosac Bank ranked fourth in lending to moderate-income borrowers in 2010, behind Greylock Federal Credit Union, Williamstown Savings, and South Adams Savings Bank.

Small Business Lending

The distribution of small business loans by GAR level reflects reasonable penetration of loans to businesses of different sizes. Table 8 illustrates the number and percentage of loans to businesses with GARs of \$1 million or less, compared to the percentage of businesses of this GAR level in 2011.

Table 8 - Distribution of Small Business Loans by Gross Annual Revenue		
# of Bank Loans	Businesses with Revenues of ≤ \$1 million	
	Percent of Bank Loans	Percent of Businesses in AA
8*	75.0	67.2

Source: Sample of 2011 Small Business Loans and 2011 Business Geo-demographic Data.

**Excludes loans for which GARs were not reported.*

As shown in Table 8, the Bank's percentage of lending to businesses with revenues of \$1 million or less slightly exceeded the percentage of small businesses in the assessment area. This performance is reasonable considering the composition of businesses by GAR level in the assessment area, the size of the bank, as well as the small business sample size.

CRA Complaints

There were no CRA-related complaints received by the Bank during the evaluation period.

COMMUNITY DEVELOPMENT TEST

Lending, investment and service-related activities evaluated under the Community Development Test include those with a primary purpose of:

- (1) Affordable housing (including multi-family rental housing) for low- or moderate-income individuals;
- (2) Community services targeted to low-or moderate-income individuals;
- (3) Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's (SBA) Development Company (SBDC) or Small Business Investment Company (SBIC) Programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less;
- (4) Activities that revitalize or stabilize low- or moderate-income geographies; and,
- (5) Loans, investments, and services that support, enable, or facilitate Neighborhood Stabilization Program (NSP) eligible activities in designated target areas.

The Bank demonstrated adequate responsiveness to the community development needs of its assessment area. The Bank met these community development needs through the provision of loans, qualified grants, and community development services.

Community Development Loans

The Bank's community development lending activities are evaluated pursuant to the following criteria: (1) the extent to which community development lending opportunities have been made available to the Bank; (2) the responsiveness of the Bank's community development lending; and (3) the extent of leadership the Bank has demonstrated in community development lending. As defined by CRA regulation, a community development loan is defined as a loan that (1) has community development as its primary purpose; (2) has not already been reported by the Bank for consideration under the Lending Test as a small business or home mortgage loan (unless it is home mortgage loan secured by a multi-family dwelling); and, (3) benefits the Bank's assessment area or a broader statewide or regional area that includes the Bank's assessment area.

The Bank made two community development loans totaling \$775,000 during the evaluation period. While not in a leadership capacity, the Bank made a reasonable level of community development loans considering the opportunities available for such lending within its designated assessment area. Both loans were responsive to the need for affordable housing within the assessment area. A description of each of the Bank's community development loans is provided below:

- In October 2010, Hoosac Bank made a \$715,000 construction loan for a 43-unit apartment building that created affordable rental opportunities in downtown North Adams. This loan was responsive to the need for quality affordable housing in the area, as all units were designated for individuals or families with incomes of 60 percent or less of area median income.
- In January 2011, the Bank originated a \$60,000 unsecured line of credit to support the operations of a nonprofit organization that provides homeless prevention services and operates a transitional homeless shelter and leased housing units.

Community Development Investments

A qualified community development investment is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. From August 5, 2008 to December 30, 2011, the Bank's qualified donations totaled \$169,126. The following table illustrates the Bank's qualified donations by year and by purpose.

Table 9 - Community Development Investment by Category								
Category	2008 (08/05/08 – 12/31/08)		2009		2010		2011	
Community Development Services	2	\$29,500	10	\$34,575	14	\$42,425	11	\$54,176
Economic Development	1	\$600	1	\$600	1	\$1,550	1	\$950
Revitalization or Stabilization	-	-	-	-	1	\$2,500	1	\$2,250
Total	3	\$30,100	11	\$35,175	16	\$46,475	13	\$57,376

Source: Bank Records

The Bank demonstrated an increasing trend of making qualified donations each year during the evaluation period, going from \$35,175 in 2009 to \$57,376 in 2011. In 2010, the only full year in which the Bank reported positive pre-tax net operating income (PTNOI), qualified donations represented 4.7 percent of PTNOI. Despite having negative PTNOI in 2009 and 2011, the bank continued its support of local organizations by providing qualified donations. Furthermore, the Bank's total donations for 2009, 2010, and 2011 were \$86,289, \$84,792, \$92,894, respectively. Total donation information was not available for the timeframe of August 5, 2008 through December 31, 2008. A sample of organizations receiving donations from the Bank during the evaluation period follows:

Elder Services of Berkshire County – This is a nonprofit organization offering services to elders, which include case management, respite care, homemaker and home health assistance, and nursing home pre-screening. The agency also operates programs for housing, adult family care, nursing, money management and protective services. A majority of services provided by this organization are targeted toward seniors of low- or moderate-income. Furthermore, the Volunteer Program serves more than 3,600 elders annually with approximately 400 volunteers.

Northern Berkshire United Way (NBUW) – This is an independent local agency dedicated to enhancing the well-being in the communities of Adams, Cheshire, Clarksburg, Florida, North Adams, and Williamstown, Massachusetts, and Stamford, Vermont. NBUW gathers data on community issues, evaluates agencies, and provides funds and other vital services to strengthen programs in priority areas of need. As previously noted, a majority of households in the Bank's assessment area, including several municipalities where this organization focuses its efforts, are low- or moderate-income.

Northern Berkshire Community Coalition – The mission of this organization is to improve the quality of life for people in Northern Berkshire by organizing, supporting, and empowering the community. The organization works to achieve its mission by providing a public place for the community, building stronger neighborhoods by engaging residents in recognizing and addressing neighborhood and community issues, and promoting positive youth development. Several community needs addressed by this Coalition are services targeted toward low- and moderate-income individuals and families, such as meeting the need for family food security throughout the Northern Berkshire region.

Community Development Services

A community development service has community development as its primary purpose, and is generally related to the provision of technical and financial assistance.

The following are the community development services provided by Bank personnel during the evaluation period:

Northern Berkshire United Way

A Senior Vice President serves as a board member and an Assistant Vice President is a member of the organization's allocation committee. A majority of services provided by this organization are targeted toward low- or moderate-income individuals or families.

North Adams Friends of the Council of Aging

The organization assists low- and moderate-income elders throughout North Adams. A loan officer serves as President.

Berkshire Community Action Council (BCAC)

This organization provides case management services for Individual Development Accounts that enable low-income families to save money. A Senior Vice President and a Loan Officer serve as board members.

North Adams Downtown Development

This organization provides economic development in the central business district, located in a moderate-income tract in the Bank's assessment area. In addition, three out of five of the census tracts comprising North Adams are moderate-income, and a majority of families in this town are low- or moderate-income. A Senior Vice President and a Loan Officer are members of this organization.

Northern Berkshire Healthcare

The organization provides health care for the residents of Northern Berkshire County, including low-income individuals. Of households in the Bank's assessment area, over 50 percent are low- or moderate-income. The Bank's Chief Executive Officer (CEO) is on the finance committee, and the CEO of the Bank's holding company is a corporator.

North Adams Planning Board

This Board approves economic development and affordable housing projects for North Adams. The President and CEO of the Bank is a member of the Board.

Educational Seminars and Programs

During the evaluation period, the Bank sponsored or participated in a variety of financial education seminars. Such educational programs were largely focused on addressing the need for homeownership education in the assessment area, particularly targeted toward the needs of the area's low- and moderate-income individuals and households or families. Each of the financial education programs is detailed below:

- Personnel participated in "Financial Fridays" at a local middle school located in a moderate-income census tract in September 2008. Topics discussed included taxes, credit, loan types, and credit card payment calculations.

- Two homeowner seminars were held in October 2008.
- A video and workbook sponsored by the Bank titled “How to Do Your Banking” was provided to three local high schools in November 2008 and 2009.
- Participated in the “Credit for Life Fair” for two local high schools in both 2008 and 2009. This is a one day financial decision-making simulation that teaches personal financial management skills.
- The Bank held three seminars at its main office in early 2009 entitled “Stop Renting & Start Owning.” Topics discussed included saving and budgeting, credit and credit reports, and renting versus buying.
- In October 2009, the Bank sponsored a “Cents-Ability Workshop.” The primary purpose was to educate attendees about household budgeting and how to stretch consumer dollars during an economic downturn.
- A Bank employee gave a presentation to an 8th grade class of a local school in March 2010. Subjects included calculating interest on credit cards; comparing loans against rent-to-own; comparing debit cards to credit cards; and, compound interest on savings.
- Beginning in November 2011, and scheduled to run quarterly thorough 2012, the Bank sponsors a Credit Workshop for First-time Homebuyers. The aim of the workshop is to educate borrowers who wish to buy a home, but do not qualify due to creditworthiness. Topics include understanding a credit report, how their actions can affect their credit, how to repair credit, and how to obtain a free report each year.

Other Services

Interest on Lawyers’ Trust Accounts (IOLTA)

Interest earned on the accounts is utilized to help fund improvements in the delivery of legal services to low-income clients. The Bank contributed interest of \$3,550.54 from August 2008 through December 31, 2008; \$5,243.50 for 2009; \$23,147.16 for 2010; and \$4,984.98 for 2011.

Individual Development Accounts (IDA)

IDAs are matched savings accounts that enable low-income families to save money for a particular use that are matched by the Bank \$3.00 for every \$1.00 saved by the accountholder. The matching funds are deposited on a quarterly basis into a “match” account. The maximum match amount is \$4,000. As of the end of 2011, the Bank held eight accounts, each of which were targeted toward downpayment assistance for low-income individuals.

Branch/Automatic Teller Machine (ATM) Delivery Systems

One of the Bank’s two branches is located in a moderate-income tract. Of the six ATMs operated by the Bank, four are located in moderate-income tracts. Based upon the branch and ATM locations, the Bank is serving moderate-income areas and residents.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The Bank’s compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. No evidence of discriminatory or other illegal credit practices was identified inconsistent with helping to meet community credit needs.

APPENDIX A

Fair Lending Policies and Procedures

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

The Bank's fair lending data was reviewed to determine how this information relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy. The Bank incorporates reference to Fair Lending as part of its loan policies. Fair lending training is administered.

A thorough review of the public comment file revealed that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. Sample reviews of the Bank's approved and non-originated residential loan application files were conducted. No practices that would result in disparate treatment were noted.

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants. For the period reviewed, Hoosac Bank received 13 HMDA-reportable mortgage applications from racial minority groups within its assessment area, of which 7 or 53.8 percent were originated.

Refer to the following table for further details. Differences due to rounding.

Minority Application Flow										
RACE	Bank 2009		Bank 2010		2010 Aggregate		Bank 2011		Bank Total	
	#	%	#	%	#	%	#	%	#	%
American Indian/ Alaska Native	1	1.1	0	0.0	6	0.6	1	0.8	1	0.4
Asian	2	2.2	1	0.6	6	0.6	1	0.8	2	0.7
Black/ African American	0	0.0	0	0.0	4	0.4	0	0.0	0	0.0
Hawaiian/Pacific Islander	0	0.0	0	0.0	2	0.2	0	0.0	0	0.0
2 or More Minority Races	0	0.0	0	0.0	0	0.00	0	0.0	0	0.0
Joint Race (White/Minority)	1	1.1	1	0.6	15	1.4	1	0.0	2	0.7
Total Minority	4	4.3	2	1.3	33	3.1	3	2.4	5	1.8
White	89	95.7	146	93.6	933	88.4	116	91.3	262	92.6
Race Not Available	0	0.0	8	5.1	89	8.4	8	6.3	16	5.7
Total	93	100.0	156	100.0	1,055	100.0	127	100.0	283	100.0
ETHNICITY										
Hispanic or Latino	2	2.2	1	0.6	14	1.3	6	4.7	7	2.5
Not Hispanic or Latino	91	97.8	146	93.6	919	87.1	113	89.0	259	91.5
Joint (Hisp./Latino/Not Hisp/Latino)	0	0.0	1	0.6	19	1.8	0	0.0	1	0.4
Ethnicity Not Available	0	0.0	8	5.1	103	9.8	8	6.3	16	5.7
Total	93	100.0	156	100.0	1,055	100.0	127	100.0	283	100.0

Overall, there was a low level of applications from minority applicants. Additionally, the Bank's performance is below the aggregate, but showed a slight positive trend.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 93 Main Street, North Adams, MA 01247."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.